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PENSIONS & December 12, 1988

InvestmentAge

The newspaper of corporate and institutional investing $6 an issue - $110 a year

RJR's $5.1 billion payoff

Funds profit in largest LBO

By Curtis Vosti

Pension funds and other institutional investors will share at least $5.1 billion in profits from the bidding war for RJR Nabisco Inc.

Pensions & Investment Age calculated the profit figure this way: Kohlberg Kravis Roberts & Co., New York, made a winning bid of $109 per share for RJR Nabisco. According to CDA Investment Technologies Inc., Silver Spring, Md., 455 institutional investors held about 95 million, or 42%, of the outstanding shares of RJR common stock Sept. 30. Using the Sept. 30 closing price of $55 a share and the $109 per share bid, the institutional investors stand to gain at least $5.1 billion.

Of course, those who bought the stock earlier reaped even bigger profits, while those who bought it later earned less.

(Institutional bondholders, however, took a paper loss of about $437 million in long-term bonds alone. See story, on page 42.)

When the final details of the financing are released next year, investors say, the figure could be less because of the unknown value of the preferred stocks and convertible debentures used to augment the $81-a-share cash offer in KKR's bid. Indeed, using the $55 per share purchase price and the $81 per share cash tender, institutional investors will come out with about $2.5

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The bidding war over RJR Nabisco, which produces these and other products, will bring institutional stockholders at least $5.1 billion in profits.

Texaco impasse

Plan for permanent committee on table

By Marcia Parker

Fed up with the stalemate in its talks with Texaco Inc. on giving institutional shareholders a voice in the nomination of corporate directors, the $46 billion California Public Employees' Retirement System has proposed a bylaw change creating a permanent shareholders committee.

This is the first time an institutional investor has sponsored a bylaw change calling for such an advisory group. It represents a new push in the growing activism of institutional investors on corporate governance issues.

The California fund last week sent a letter to institutional investors seeking cosponsors for the proposal prior to the mid-December deadline for filing proposals to be included in Texaco's 1989 proxy statement. By press time, no others had committed to being a co-sponsor, but several said they were considering it.

Dale Hanson, executive director of the Sacramento-based fund, said in an interview that he's disappointed about the stalemate. "Texaco is willing to dance with us, but doesn't want to take us

Continued on page 39

Talks have stalled between Texaco and the California Public Employees over procedures for choosing a board of directors.

Employers to get 1-year reprieve on benefit rules

By Joel Chernoff

WASHINGTON — Bowing to employer pressure, the Internal Revenue Service will give employers at least one more year to amend their retirement plans to meet sweeping new requirements taking effect Jan. 1.

The amendments will need to be retroactive to the beginning of the 1989 plan year, however, which for most plans is Jan. 1, causing some employers to later reduce benefits accrued during 1989.

The rules concerning new integration, non-discrimination, participation, line of business and coverage requirements contained in the 1986 Tax Reform Act, affect virtually all retirement plans. Shorter vesting rules, also to take effect Jan. 1, apparently will not be affected.

The IRS failed to meet the Feb. 1 deadlines imposed by Congress for issuing regulations interpreting certain provisions in the law, making it difficult if not impossible for employers to amend their plans on time.

While the full extent of the IRS' relief was unknown at press time, benefit consultants expected the agency to give "conditional relief" to employers that would enable them to continue current benefit accrual schedules and later amend their plans retroactively to the start of the

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LATE NEWS

Tax law causes GM to cut ESOP

NEW YORK — General Motors Corp. will terminate its $3.6 billion employee stock ownership plan effective March 31.

The Tax Reform Act of 1986 repealed provisions for tax credits for contributions corporations make to ESOPs and subsequently provided favorable tax treatment to participants who receive a distribution from an ESOP in 1989.

GM is terminating the plan for those reasons, according to a letter to employees explaining the move. The letter is signed by Richard F. O'Brien, GM's vice president-personnel administration.

Mr. O'Brien and several others at GM, including W. Gordon Binns Jr., vice president and chief investment funds officer, and a public relations spokesman, did not return telephone calls by press time.

The termination is the first one in recent months among major corporations, according to Martin Staubus, associate director of the Employee Stock Ownership Association, a Washington-based organization.

Comptroller backs DOL policy

The office of the comptroller of the currency informally has endorsed the Department of Labor's views on proxy voting, which will require banks to maintain written policies on voting proxies and maintain a record of the vote.

The OCC's views came in the form of a response to questions from Institutional Shareholders Services Inc., Washington, which is pressing a number of government agencies for uniform policies on proxy voting.

Nell Minow, general counsel to ISS, was to meet with the Federal Reserve Board today on the same subject. Ms. Minow told a proxy voting conference in New York last week hosted by the Institute for International Research she expects to see other agencies, including the Internal Revenue Service and Securities and Exchange Commission, endorse the Labor Department's policies.

Ownership percentage detailed

NEW YORK — Forty-seven of the 50 largest U.S. corporations have institutional ownership in excess of 33%, according to a study on the growth of institutional investors in the capital markets by the Center for Law and Economic Studies at Columbia University Law School.

Forty-one of the 50 largest corporations are 41% owned by institutional investors; 27 corporations of the largest 50 have institutional ownership in excess of 50%.

The data is based on 1987 stock market value.

The study is the "first major attempt to quantify the role of institutional investors in capital markets since the Securities and Exchange Commission study covering 1980 data," according to Ira M. Millstein, chairman of the Center for Law and Economic Studies.

Ruling on Firestone reversion

WASHINGTON — Participants in a Firestone Tire & Rubber Co. pension plan are entitled to surplus assets attributable to their contributions to the plan, the U.S. District Court for the District of Columbia has ruled.

In September 1984, Chicago-based Firestone terminated its $647 million pension plan for salaried employees, seeking to recapture $284 million in surplus assets.

But the Pension Benefit Guaranty Corp. contested the company's recapture of the full surplus, arguing plan participants were entitled to a portion of the surplus based on their mandatory contributions to the plan.

The agency required Firestone to place $9 million in escrow while the company recaptured the remaining $275 million in surplus assets.

An attorney for Firestone said the company is reviewing the decision.

Banque Paribas names new CEO

NEW YORK — Banque Paribas New York has elevated a corporate finance head to the post of chief executive officer.

After serving as managing director of the corporate finance department of the bank for five years, Bernard Allorent has been named chief executive officer.

Banque Paribas New York is the largest U.S. operation of Compagnie Financiere de Paribas, the French merchant bank. The unit specializes in acquisition financing, project financing, securities lending and multinational corporate finance and manages the U.S./Latin American portion of the parent company's global oil trade financing activities.

It has not yet been determined whether he will be replaced as head of the corporate finance department.

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California fund eyes China loan

By Steve Hemmerick

SACRAMENTO, Calif. — Officials for the California Public Employees' Retirement System are discussing becoming the first U.S. institutional lender to China, ahead of a long line of eager bankers.

The "experimental" loan could be for only $30 million or $40 million, but it probably would set a precedent for larger loans by the California or other major pension funds, said Jake Petrosino, a member of the investment board for the $45 billion California retirement system.

Mr. Petrosino said China needs the capital and the pension fund is seeking alternative investments, such as providing reliable long-term loans at market return rates. The interest rate would depend on the length of the loan and the risk. The loan would be guaranteed by the Chinese government, which would be liable in case of default.

High-ranking California employees pension fund officials met Nov. 28 in Sacramento with Ma Yuzhen, China's consul general of ambassador rank, and his staff for four hours of talks about making an investment loan in one of 10 infrastructure projects in China.

Pension officials are examining the projects while Chinese officials consider establishing an appropriate financial package for investment in one of the projects, such as development of a chemical plant or expansion of a steel mill.

The discussion of a loan agreement, said Mr. Petrosino, has the approval of Winston Lord, U.S. ambassador to China.

Seeking a loan from a U.S. financial institution is a reversal of a long-standing policy by China, said Mr. Ma, who is based in Los Angeles.

Originally, Mr. Petrosino said, China would accept no foreign loans, but in recent years has accepted loans from Scandinavian and Dutch banks and has received the third installment on a loan from the Japanese government. Mr. Ma said he didn't know the size of the loans, but he believes the Japanese loan involves the equivalent of several billion U.S. dollars.

Mr. Ma described the proposed loan with the California pension fund as a first among pension funds and an experiment. He said China also is now willing to negotiate loans with U.S. banks provided the interests rates are reasonable.

Many years ago, he said, Chinese officials believed they were taken advantage of by foreign bankers. Since former President

Continued on page 41

Two plans to realign asset mix

By Steve Hemmerick

Two corporations are making asset allocation changes to minimize investment risk and diversify plan assets.

Bechtel Power Corp., San Francisco, is reducing its $1.4 billion defined contribution plan's exposure to domestic and international equities and boosting the fund's allocation to real estate and fixed-income investments.

At Unocal Corp., Los Angeles, international exposure has been increased in the $811 million defined benefit plan and assets have been transferred to straight annuities from participating ones, while officials have recommended returning to real estate investing, a market the fund moved away from in 1986.

Albert W. Kirschbaum, vice president of Sierra Asset Management Inc., which oversees Bechtel's pension fund, said the fund's exposure to domestic and international equities will be cut to 43% from about 50%.

At the same time, he said, the commitment to real estate will be increased to about 7.5% from about 6%, with virtually all the new money going to distribution warehouses, a form of industrial property.

The allocation to bonds will rise to 29% from about 22%. About one-half of the increased fixed-income money will be managed by Sierra, which will invest in government and "very select" corporate bonds with maturities of about three years, Mr. Kirschbaum said. The other half will go to Pacific Investment Management Co., Newport Beach, Calif., an existing manager.

Bechtel Power, which built this waste-to-energy plant, is boosting real estate investment in its $1.4 billion fund to diversify and lower risk.

(About $180 million of the fund's assets are with tactical asset allocation managers Wells Fargo Investment Advisors, San Francisco, and Bailard Biehl

Continued on page 37

$25 million reversion sought

By Barry B. Burr

ELK GROVE VILLAGE, Ill. — Ancilla Systems Inc. expects to receive a $25 million reversion from the termination of the pension plan for the eight-hospital organization, according to a key executive.

But the federal government, which pays a large part of the bills of the system's patients through its Medicare program, probably will seek a share of the excess pension assets, a consultant familiar with the issues suggested.

The company, which has $80 million in pension assets, called its investment managers to a meeting two weeks ago to submit liquidation plans, the company executive said.

"They're in that (liquidation) process now," the person added. "Obviously the key is preservation of capital." The executive declined to state if any hedging was being done.

Dillon Read & Co., New York, Ancilla's chief investment banker for tax-exempt debt offerings, advised the system on the liquidation, according to an executive at one of the fund's money managers.

All of the pension assets are run by external managers, which the Ancilla executive would not identify. According to the 1988 Money Market Directory of Pension Funds and Their Managers, Ancilla had investments in domestic and international stocks, bonds, guaranteed investment contracts and a general insurance account.

Ernst & Whinney, a Chicago accounting firm, is assisting the company in obtaining bids from insurance companies for annuities to cover the accrued benefits as required in terminations, the executive added, declining to name

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OPINION

To LBO or not to LBO?

Pension funds have been criticized for their participation in leveraged buy-out funds, such as that put together by Kohlberg Kravis Roberts & Co. to win control of RJR Nabisco Inc.

Pensions & Investment Age estimates there are $8 billion to $10 billion of pension assets committed to such funds. This is a drop in the bucket of the more than $2 trillion in pension assets overall. Together with assets from other institutions, however, it provides a substantial base from which KKR and other leveraged buy-out fund sponsors, such as Forstmann Little & Co. and Clayton & Dubilier Inc., can launch takeover efforts.

The participation of pension assets in the leveraging and breaking up of major corporations, however, is being questioned by many observers, not least in Washington.

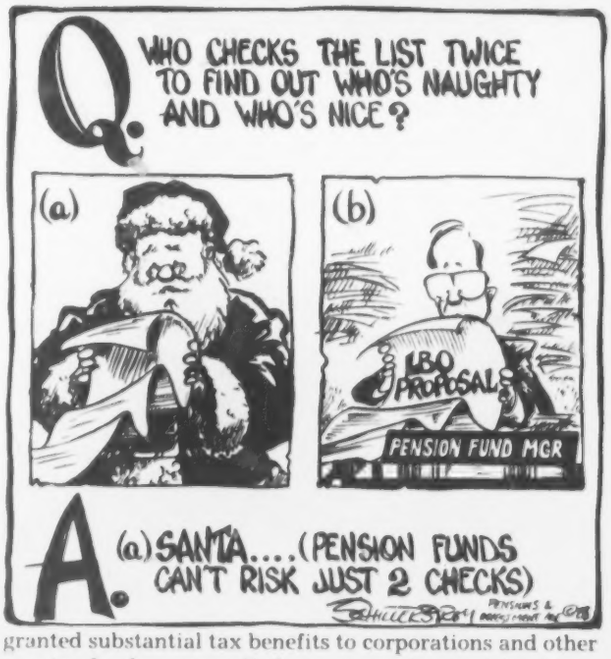
Some politicians apparently believe the participation of pension funds in leveraged buy-out activity is somehow improper. They reportedly are wondering if such activity should be "subsidized" by the pension funds' tax exemption.

The questioning is based on several shaky premises.

The first of these is that all or most leveraged buy-outs are detrimental to the economy — that they somehow are un-American. This is by no means clear, and it will be several years before definitive evidence will be available on which to judge the overall effect of the leveraged buy-out phenomenon. The early evidence, however, is that many, perhaps most, leveraged buy-outs made companies more efficient, and certainly were beneficial for shareholders — including pension funds.

The second questionable premise is that pension funds somehow are obligated to pass up the high returns that leveraged buy-outs have provided; that because such buy-outs are "un-American," pension funds ought not participate. But pension fund fiduciaries are charged with investing the assets in their charge solely in the interests of the beneficiaries for the purpose of securing benefits. If in the judgment of those fiduciaries those benefits can best be secured by earning the high returns offered by leveraged buy-outs, their first duty is to invest in them.

The third questionable premise is that Congress has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LBO PROPOSALS
PENSION FUND MGR
A. (a) SANTA....(PENSION FUNDS CAN'T RISK JUST 2 CHECKS)

granted substantial tax benefits to corporations and other pension fund sponsors. To be sure, pension contributions are tax deductible, but so are most legitimate business costs. If there were no pension funds, companies almost certainly would increase wages to make up the difference. Those increased labor costs would be tax deductible because they would be a legitimate cost of doing business. The real tax benefit pension funds enjoy is the tax exemption of investment income. The value of this exemption is not to be denied, but it is not as great a benefit as some in Congress might claim.

If Congress made leveraged buy-outs illegal, pension funds would be obliged to obey the law and not invest in them. But until then, or until leveraged buy-outs are proven to produce poor returns relative to their degree of risk, pension funds should not be criticized for sharing in the returns they offer.

LETTERS TO THE EDITOR

Morguard omitted

To the Editor: I would like to bring your attention to an omission in the May 23 Special Profiles issue.

Morguard Investments Ltd. is the largest manager of tax-exempt real estate assets in Canada. Morguard manages a company named Pensionfund Realty Ltd., which owns $1.35 billion worth of equity real estate and acts as an investment consortium for its 35 pension fund shareholders.

Morguard also acts as an investment adviser to this group of pension funds, which includes Air Canada, Alberta Government Telephones, Bimcor and Imperial Oil.

Morguard has managed pension fund monies since its founding, in Montreal, in the mid-1960s. During the period from 1966 to 1975, Morguard established itself as a major force in the institutional real estate industry, through the placement of mortgage investments on behalf of Canadian pension funds and other institutions. The trust and mortgage banking arm of Morguard was renamed the Metropolitan Trust Co. of Canada in September 1987.

Metropolitan Trust is headquartered at 6 Crescent Road, Toronto, Ontario, serves over 300 clients and manages assets totaling approximately $4.5 billion.

Morguard pioneered the idea of tax-exempt real estate investment for Canadian pension funds and has managed Pensionfund Realty Ltd. since its inception in 1975.

The operation of Morguard is divided into seven functional areas, each directly managed by a vice president of the company. The composition of Morguard's senior management has been extremely stable, with an average length of service of 12 years.

The investment philosophy of Morguard's property team is to acquire or develop only high-quality, income-producing properties suitable for pension fund investment. Assets are diversified by property type and location to minimize the risks associated with regional fluctuations in economic activity.

While Morguard aggressively pursues above-average returns from its investments, its primary concern remains the safeguarding of those pension fund assets entrusted with the company.

The major functions of acquisitions, dispositions, development, investment and portfolio management are centralized at the head office of Morguard, 1027 Yonge St., Toronto, Ontario.

Morguard complements it internal real estate expertise through the use of external consultants, including architects, engineers, lawyers and general contractors. These consultants are used to obtain the highest level of professional expertise available in each of the markets Morguard operates.

Morguard also operates 10 regional offices across Canada where property management, appraisal, leasing and accounting functions are performed.

Morguard Investments Ltd. is owned by management (15%) and by Metropolitan Life Holdings Ltd. (85%).

Morguard maintains a policy of restricting its activities to servicing the real estate needs of pension funds through an Advisory and Management Agreement with Pensionfund Realty Ltd. and does not develop or acquire properties for its own account. The agreement has an automatically renewable one-year term with a right to terminate by either party on 12 months' notice.

Tony Stephens, president, is chief investment officer. Tony Houghton, senior vice president-investments, is client contact.

Rick Hayward
Manager investments
Morguard Investments Ltd.
Toronto

Landauer's assets

To the Editor: In your Aug. 22 article concerning foreign institutional capital placed with U.S.-based money managers, Landauer Advisors Inc. was not included in the listing of top U.S. real estate advisers.

Landauer Advisors has been a leading money manager for foreign institutional investors since 1960.

Over the years, we have worked with our foreign clients to provide education about real estate investment opportunities in the United States, while at the same time building solid, diversified real estate portfolios. By patiently gaining the trust and respect of our foreign clients we have been able to build this side of our business to where we manage $525 million in real estate assets for foreign institutions.

This places us 19th in total and fifth in real estate.

I would welcome the opportunity to provide you further details concerning our large and growing involvement in providing professional real estate investment management services to offshore investors.

Richard M. Reeves
Senior vice president
Landauer Advisors Inc.
New York

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PIPER

Big is best in quarter

Large-cap stock investments lead pack

By Trudy Ring

Bank and insurance company pooled special equity funds concentrating on large-capitalization stocks performed best in the third quarter, according to Pensions & Investments' Performance Evaluation Report.

Despite the stellar performance of some, the median fund in the PIPER universe of 106 funds lagged the market indexes for the quarter. The median PIPER special equity return was nearly −1%, compared with 0.3% for the Standard & Poor's 500 Stock Index and −0.9% for the smaller-cap Russell 2000 Index.

For the 12 months ended Sept. 30, the median PIPER fund returned −9%, beating the S&P 500's −12.4% and the Russell 2000's −10.9%. For the three years, the median returned a compound annualized 15%, lagging the S&P 500's 18.3% but beating the Russell 2000's 11.8%. All returns for periods longer than one year are compound annualized.

For the five-year period, the median return was 8.8%, compared with 14.7% for the S&P 500 and 7% for the Russell 2000. For the 10 years, the median was 15.2% vs. the S&P's 15.4%. The return for the Russell 2000 was not available for the 10-year period.

The leading fund in the most recent quarter was Boston-based Wellington Trust Co.'s special situation fund, which returned 9.2%, nearly three percentage points more than its closest competitor. The fund was third for the year, with 14.5%. Begun in March 1986, it is too new for the other periods.

Special equity funds
(periods ended Sept. 30, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	9.18%	28.57%	56.66%	34.98%	23.70%
First quartile	1.47	−3.91	19.68	12.82	17.86
Median	−0.97	−8.97	15.07	8.83	15.21
Third quartile	−3.86	−14.28	10.67	5.89	12.83
Lowest return	−10.78	−26.53	1.97	−3.49	10.08
S&P 500	0.34	−12.39	18.32	14.72	15.42
Russell 2000	−0.92	−10.91	11.78	7.02	NA

The fund has about $2 million in assets, said Bob Beck, managing partner of Marble Arch Partners, which runs the portfolio. Marble Arch is a joint venture between its principals and Wellington Trust's parent, Wellington Management Co., and runs about $145 million more in separate accounts, Mr. Beck said.

The fund is concentrated in 20 to 25 stocks, nearly equally weighted, in large, well-known companies. Stock selection is based on fundamental research focusing on the companies' management, assets and situation. "It's all from the bottom up," Mr. Beck said.

The fund stays fully invested, has no more than 20% annual turnover and looks for returns to come during a period of two or three years. Holdings include **Citicorp**, **Amerada Hess Corp.**, **K mart Corp.** and **UST Inc.**

Coming in second, with 6.3%, was Dallas-based NCNB Texas National Bank's select equity fund. The fund, which originated with the former RepublicBank Dallas, came in first for the one-, three- and five-year periods ended Sept. 30, with returns of 28.6%, 56.7% and 35% respectively, far outdistancing the second-place finishers. It is too new for the 10-year period.

The $16 million fund is highly concentrated, with just five to 10 stocks at any time, said Ben Fisher, NCNB Texas senior vice president. The bank uses the same screens — lower price-earnings ratios and higher yields than the market — and the same universe — thousands of stocks — as it does for its other pooled funds, but picks a less diversified group of stocks for this fund, he said.

The selection combines quantitative and fundamental factors, he said; these stocks have passed the quantitative screens, but then are subjected to judgment calls to determine the best stocks in a fundamental sense.

The portfolio has five stocks now — **Digital Equipment Corp.**, **Ferro Corp.**, **Rexene Corp.**, **Unisys Corp.** and **Universal Corp.**

"They're basically stocks that look oversold, (are) unpopular and should have pretty good earnings," Mr. Fisher said. The portfolio is reviewed monthly and averages more than 100% turnover a year, he said.

The fund has 40% in cash now, but that's not a call on the market, he said. The portfolio is between buys, and because it takes such large positions in each stock, having two or three positions open makes the cash allocation large, he said.

Third for the quarter was the employee benefit growth fund of Second National Bank of Warren, Ohio, with 5.8%. Its performance for longer periods was scattered. The fund lagged the median for both the one- and five-year periods, with −9.2% and 8.7%, respectively, but placed in the top 40% in the three- and 10-year pe-

Continued on page 19

OUR VIEW OF INVESTING OUTSIDE AMERICA

Following the period of retrenchment in the wake of the October crash, fund managers in America are once again looking overseas. But performance in the different markets has not been uniform in either equities or bonds. With the help of James Capel, a global investment house with close to 200 analysts covering 5000 companies on 25 stock markets around the world, institutional investors have more access to more international opportunities than ever before. The benefits associated with diversifying investments internationally are familiar to the experienced fund managers. Risk is spread and as the selection of stocks is increased, so too are the opportunities.

To make the most of these opportunities requires discipline, experience and the ability to interpret the implications of currency, macro-economic influences and market sentiment. Analysts must have the support of colleagues in different markets, across different time zones, in order to provide a perspective on their own specialty. Whether investing in a major market like Tokyo or an emerging market like Manila, the analyst advising you, or the salesman executing your instructions should not be working in isolation.

Our reputation is well established among the more sophisticated investors based in the United States and James Capel is not new in the international investment community. Nor are we a minor player. We were established over two hundred years ago and now have the largest market share of the institutional broking business in London. Our analysts have consistently topped surveys undertaken by the Institutional Investor magazine, Extel, the financial information service, The Association of Corporate Treasurers in London, The Sunday Times/MORI poll, Taylor Nelson, the market research firm, and many others. We are primary dealers in the UK gilt market, major participants in the Eurobond market, associated with the US Treasury experts CM&M and world leaders in many specialist services such as portfolio trading.

Corporate Finance is becoming an increasingly important part of the business and our clients are benefitting from our own global network of offices. It puts us in twenty one cities on four continents. We are also members of the HongkongBank Group.

So when it comes time to place some of your investments outside America, use the investment house which can offer you experience, expertise and execution. Talk to Peter Green at James Capel.

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PIPER

Top quartile commingled special equity funds

3-month returns

	%
Wellington Trust (Spec. sit.), Mass.	9.2
NCNB Texas (Select)	6.3
Second Nat'l (Growth), Ohio	5.8
Mid-State Bancorp (Beta), Pa.	5.6
Assoc. Bank Neenah (Inc.), Wis.	5.0
Assoc. Bank Neenah (Reg.), Wis.	5.0
Wellington Trust (Tech.), Mass.	4.2
Wellington Trust (Non-tech.), Mass.	3.6
Nat'l Bank of Detroit (F)	3.5
First City Nat'l Houston (G-1)	3.0
Liberty Nat'l (Growth), Ky.	3.0
First of Boston (Yield)	2.9
SLH Trust (2), Del.	2.8
Society Nat'l (Central value), Ohio	2.7
First Chicago (Inst.)	2.5
Chancellor Capital (Value), N.Y.	2.4
First Wis. Asset (Emerg. grow)	2.2
Centerre Trust (P-1), Mo.	2.0
Markston Investment (VA 15), N.Y.	2.0
First Asset Mgmt (20), Minn.	2.0
First Asset Mgmt., Minn.	1.8
Connecticut Nat'l (Sup.)	1.7
Massachusetts Mutual (SIA S)	1.7
Banc One Asset, Ohio	1.5
Texas American (Spec. sit.)	1.5
Chancellor Capital (Emerg.), N.Y.	1.5
Standard & Poor's	**0.3**
Russell 2000	**0.9**

1-year returns

	%
NCNB Texas (Select)	28.6
First City Nat'l Houston (G-1)	17.1
Wellington Trust (Spec. sit.), Del.	14.5
First Chicago (Inst.)	11.8
Lincoln Nat'l (Emerg.)	10.8
Assoc. Bank Neenah (Reg.), Wis.	10.5
First Wis. Asset (Emerg. growth)	6.7
Society Nat'l (Central value), Ohio	6.6
Massachusetts Mutual (SIA S)	5.2
Connecticut Nat'l (Sup.)	5.1
Markston Investment (VA 15), N.Y.	4.2
Liberty Nat'l (Growth), Ky.	2.7
Centerre Trust (P-1), Mo.	1.4
SLH Trust (Small cap. 5), Del.	-0.5
Nat'l Bank of Detroit (F)	-0.6
First Asset Mgmt., Minn.	-0.9
Chancellor Capital (Real estate)	-0.9
Crestar Bank	-1.0
Assoc. Bank Neenah (Inc.), Wis.	-1.6
The Phoenix (Growth S), Conn.	-1.8
Fidelity Mgmt. (Small co.), Mass.	-1.9
Nat'l Bank of Detroit (Opp.)	-2.0
First Asset Mgmt. (20), Minn.	-2.1
Wellington Trust (Tech.), Mass.	-3.6
Society Nat'l (Ohio reg.), Ohio	-3.8
Russell 2000	**-10.9**
Standard & Poor's	**-12.4**

3-year returns

	%
NCNB Texas (Select)	56.7
SLH Trust (Growth 2), Del.	37.0
SLH Trust (New value 3), Del.	35.9
First City Nat'l Houston (G-1)	28.0
Assoc. Bank Neenah (Reg.), Wis.	23.8
Connecticut Nat'l (Sup.)	23.6
Equitable Capital (Tangible asset)	23.4
California First (Sup.)	23.3
Society Nat'l (Central value)	22.5
Security Pacific (Growth G), Calif.	22.2
Fidelity Mgmt. (Agg.), Mass.	22.1
Society Nat'l (Ohio reg.), Ohio	21.8
Putnam Fiduciary (Putnam gro.)	21.2
Central Fidelity (Agg.), Va.	21.1
Fidelity Mgmt. (Small co.), Mass.	20.8
Society Nat'l (Momentum), Ohio	20.6
SLH Trust (Small cap. 5), Del.	20.5
First Asset Mgmt., Minn.	20.4
Harris Trust (Capital), Ill.	20.1
First of Boston (Yield)	19.9
Massachusetts Mutual (SIA S)	19.8
Morgan Guaranty (Sup. opp.)	19.7
Standard & Poor's	**18.3**
Russell 2000	**11.8**

5-year returns

	%
NCNB Texas (Select)	35.0
SLH Trust (Growth 2), Del.	28.2
Equitable Capital (Tangible asset)	18.2
Fidelity Mgmt. (Agg.), Mass.	17.2
First Asset Mgmt.(20), Minn.	17.1
First of Boston (Yield)	16.9
Assoc. Bank Neenah (Inc.), Wis.	15.8
Society Nat'l (Ohio reg.), Ohio	15.5
Chancellor Capital (Real estate)	15.1
Standard & Poor's	**14.7**
First Asset Mgmt., Minn.	14.5
Connecticut Nat'l (Sup.)	14.4
Nat'l Bank of Detroit (Opp.)	13.5
Shawmut Bank (Target), Mass.	13.1
LaSalle Nat'l (Small cap.), Ill.	13.0
Trust Co. of the West, Calif.	13.0
Chancellor Capital (Spec. value)	12.9
Mellon Equity Associates	12.9
First Wis. Asset (Growth B)	12.8
Russell 2000	**7.0**

10-year returns

	%
California First (Sup.)	23.7
MTrust (Growth), Texas	20.4
Norwest Bank (Sp. invt.)	19.3
Bank of America (Cit.), Calif.	19.1
Chase Manhattan (Inter. cap.)	18.9
Connecticut Bank (Emp. sup.)	18.7
Chancellor Capital (Sp. value)	18.7
First Asset Mgmt., Minn.	18.0
Standard & Poor's	**15.4**

Commingled international funds

3-month returns

	%
The Principal (Stock), Iowa	2.9
PCM Int'l (PRINT eq.), N.J.	2.8
PCM Int'l (Global bond), N.J.	2.3
Prudential (Index), N.J.	1.7
First Chicago (Non-$ fixed)	1.4
IAA Trust (CTF-I), Ill.	1.3
Fidelity Mgmt. (Overseas eq.)	1.3
American Nat'l Chicago (Equity)	1.2
Assoc. Bank Neenah (World)	1.1
Wells Fargo (Eq.), Calif.	0.7
MSCI EAFE index	**0.7**
WorldInvest (Fixed)	0.6
State Street Bank (Index), Mass.	0.6
PCM Int'l (Foreign bond), N.J.	0.6
Chase Investors (EAFE index)	0.6
MSCI World index	**0.5**
Confederation Life (Stock), Ga.	0.5
PCM Int'l (Global yield), N.J.	0.4
First Chicago (Eq.)	0.3
Provident Capital (Low p/e), Pa.	0.3
Centerre Trust (Coll. W), Mo.	0.1
Morgan Guaranty (Eq.), N.Y.	0.0
Travelers (Index), Conn.	0.0
Bankers Trust (Eq.), N.Y.	0.0
Aetna Capital-ACMI (Eq.), Conn.	-0.1
Morgan Guaranty (Bond), N.Y.	-0.2
WorldInvest (Eq.)	-0.4
Bessemer Trust (E), N.Y.	-0.6
IDS Trust (Coll. eq.), Minn.	-0.7
U.S. Trust (Eq.), N.Y.	-0.7
Chase Manhattan (Global eq.)	-0.8
CIGNA (Eq.), Conn.	-1.0
Travelers (Eq.), Conn.	-1.0
Connecticut Mutual (Overseas)	-1.0
California First (Invt. eq.)	-1.2
Marine Midland (Eq.), N.Y.	-1.4
Harris Trust (Eq.), Ill.	-1.5
Putnam Fiduciary (Trust)	-1.5
Wellington Trust (Pacific Basin)	-1.8
Wellington Trust (Stock), Mass.	-1.9
Lincoln Nat'l (SA 22), Ind.	-2.7
Wellington Trust (Emerg. eq.)	-3.2
NCNB Texas (Stock)	-3.6
Equitable Capital (Port. 20), N.Y.	-6.8

1-year returns

	%
PCM Int'l (Global bond), N.J.	26.2
First Chicago (Non-$ fixed)	22.2

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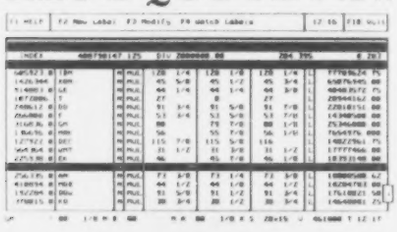

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PCM Int'l (Foreign bond), N.J.	20.2
WorldInvest (Fixed)	19.2
Morgan Guaranty (Bond), N.Y.	17.8
PCM Int'l (Global yield), N.H.	16.3
IAA Trust (CTF-I), Ill.	4.6
Prudential (Index), N.J.	1.3
Wells Fargo (Eq.), Calif.	0.3
Provident Capital (Low p/e), Pa.	0.2
American Nat'l Chicago (Eq.)	0.0
Chase Investors (EAFE index)	0.1
Travelers (Index), Conn.	0.2
State Street Bank (Index), Mass.	0.6
MSCI EAFE Index	**0.6**
CIGNA (Eq.), Conn.	4.2
Wellington Trust (Pacific Basin)	5.0
First Chicago (Eq.)	5.5
MSCI World Index	**6.0**
California First (Invt. eq.)	7.3
Harris Trust (Eq.), Ill.	7.7
Chase Manhattan (Global eq.)	7.9
Travelers (Eq.), Conn.	8.8
Aetna Capital-ACMI (Eq.), Conn.	8.9
Centerre Trust (Coll. E), Mo.	10.0
U.S. Trust (Eq.), N.Y.	10.1
Assoc. Bank Neenah (World)	10.3
Lincoln Nat'l (SA 22), Ind.	10.5
The Principal (Stock), Iowa	10.9
Bankers Trust (Eq.), N.Y.	12.1
Confederation Life (Stock), Ga.	12.4
Putnam Fiduciary (Trust)	12.5
Morgan Guaranty (Eq.), N.Y.	13.0
Wellington Trust (Stock)	13.4
Connecticut Mutual (Overseas)	13.5
PCM Int'l (PRINT eq.), N.J.	13.8
NCNB Texas (Stock)	15.2
Equitable Capital (Port. 20)	15.4
Bessemer Trust (E), N.Y.	15.4
Wellington Trust (Stock), Mass.	17.0
Marine Midland (Eq.), N.Y.	19.0
IDS Trust (Coll. eq.), Minn.	19.5
Fidelity Mgmt. (Overseas eq.)	19.7
WorldInvest (Eq.)	19.8

3-year returns

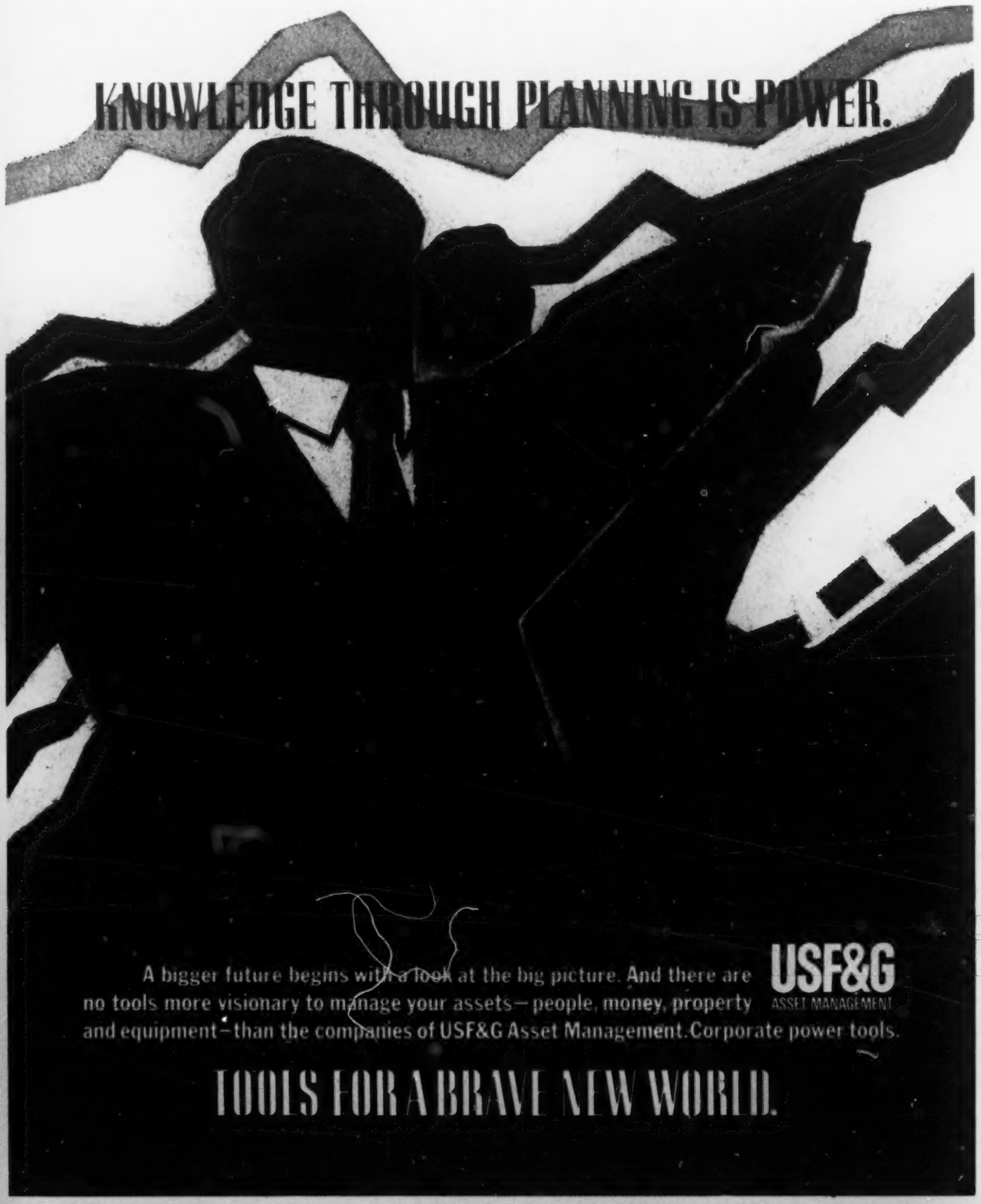
	%
Wellington Trust (Pacific Basin)	43.2
American Nat'l Chicago (Eq.)	41.1
Chase Investors (EAFE index)	40.8
Prudential (Index), N.J.	40.2
MSCI EAFE Index	**40.1**
State Street Bank (Index), Mass.	40.1
Wells Fargo (Eq.), Calif.	39.8
Provident Capital (Low p/e), Pa.	38.3
WorldInvest (Eq.)	37.2
Bessemer Trust (E), N.Y.	36.3
Fidelity Mgmt. (Overseas eq.)	35.6
Bankers Trust (Eq.), N.Y.	34.9
First Chicago (Eq.)	34.7
Chase Manhattan (Global eq.)	34.6
Centerre Trust (Coll. W), Mo.	34.0
Marine Midland (Eq.), N.Y.	33.5
U.S. Trust (Eq.), N.Y.	33.3
CIGNA (Eq.), Conn.	32.8
NCNB Texas (Stock)	31.1
Wellington Trust (Stock), Mass.	30.9
California First (Invt-eq.)	30.6
Aetna Capital-ACMI (Eq.), Conn.	29.6
MSCI World Index	**29.3**
IDS Trust (Coll. eq.), Minn.	28.8
Putnam Fiduciary (Trust)	28.6
Morgan Guaranty (Eq.), N.Y.	28.3
Confederation Life (Stock), Ga.	28.0
PCM Int'l (Global), N.J.	27.7
First Chicago (Non-$ fixed)	26.1
WorldInvest (Fixed)	25.3
PCM Int'l (Foreign bond), N.J.	24.6
Morgan Guaranty (Bond), N.Y.	20.5

5-year returns

	%
MSCI EAFE Index	**33.6**
American Nat'l Chicago (Eq.)	33.3
Wells Fargo (Eq.), Calif.	32.9
Wellington Trust (Pacific Basin)	29.3
Bankers Trust (Eq.), N.Y.	29.2
WorldInvest (Eq.)	28.5
First Chicago (Eq.)	27.5
Marine Midland (Eq.), N.Y.	26.5
Aetna Capital-ACMI (Eq.), Conn.	25.5
IDS Trust (Coll. eq.), Minn.	25.3
U.S. Trust (Eq.), N.Y.	24.9
PCM Int'l (Global bond), N.J.	24.9
Putnam Fiduciary (Trust)	24.5
Bessemer Trust (E), N.Y.	24.5
Wellington Trust (Stock), Mass.	24.1
Centerre Trust (Coll. W), Mo.	23.5
MSCI World Index	**23.4**
Chase Manhattan (Global eq.)	22.8
NCNB Texas (Stock)	22.7
Morgan Guaranty (Eq.), N.Y.	21.2
First Chicago (Non-$ fixed)	20.5
PCM Int'l (Foreign bond), N.J.	20.3
WorldInvest (Fixed)	20.1
Morgan Guaranty (Bond), N.Y.	17.8

10-year returns

	%
U.S. Trust (Eq.), N.Y.	20.7
MSCI EAFE Index	**20.6**
First Chicago (Eq.)	18.4
MSCI World Index	**17.9**
Morgan Guaranty (Eq.), N.Y.	16.3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Large

Continued from page 14

riods with 18% and 17.1%, respectively.

Bob Fenwick, vice president-investments, said the fund performed well in the quarter because the value of the stocks it holds is beginning to be recognized. "Other people are starting to discover them," he said.

The $2 million fund buys stocks that are cheap relative to the market and their historical p/e ratios. The portfolio has some big names, like **IBM Corp.** and **J.P. Morgan & Co. Inc.**, but also some Mr. Fenwick describes as "off the beaten path," such as **First American Corp.** and **Corning Glass Works.** Some of the stocks held are turnaround situations, such as **Citicorp, Union Planters Corp.** and **Coca-Cola Enterprises Inc.**

The fund holds about 20 stocks at a time, with cash between 5% and 15%. Current cash holdings are about 10%, but Mr. Fenwick is bullish on stocks for the long term.

A stellar performer in the quarter, one- and three-year periods was First City Texas, Houston's pooled special equity fund. The portfolio was second for the year, with 17.1%, and fourth for the three-year period, with 28%. The fund placed in the top 10% for the quarter, with 3%. It is too new for other periods.

The $5 million fund buys medium- to large-cap stocks where earnings growth is accelerating, or where earnings are much higher than consensus estimates, said Ted Davis, senior vice president.

The fund also has invested in some companies in which a takeover appeared likely, and has benefited from these moves. A recent example of this was **Budget Rent a Car Corp.**, which was bought out by a management group. The fund bought the stock at $15 a share in early October and tendered it at $28 a share in the management bid, announced later that month.

The fund's biggest holdings include **First Executive Corp., Cleveland-Cliffs Inc.** and **Bethlehem Steel Corp.** It usually puts no more than 3% of the fund's assets in a stock. There are never more than 30 names in the portfolio; currently, there are 22.

The fund is holding about 30% in cash. "I think the market is probably, on a short-term basis, oversold," Mr. Davis said. Also, he doesn't hesitate to sell a stock and take profits, he said.

Other top performers for the three years were two funds offered by Shearson Lehman Hutton Trust Co., Wilmington, Del. Its Growth Fund 2 was second, with a compound annualized 37%, and the New Values 3 fund was third, with 35.9%. The Growth Fund 2 also was second for the five years, with 28.2%. Coming in third for the five-year period was New York-based Equitable Capital Management Corp.'s tangible assets fund, with 18.2%.

For the 10-year period, California First Bank, San Diego, took first with its supplemental equity fund, which returned 23.7%. MTrust, Dallas, was second with 20.4%, and Norwest Bank, Minneapolis, was third with 19.3%. ■

The Book of Lists will be published Dec. 25.

Slow trading shows

Investment bank earnings feel the sting

By Marlene Givant Star

Despite robust merger and acquisition activity in the third quarter, investment bank earnings were dampened by a sharp slowdown in trading.

"Nobody's quarter was fabulous," said Michael Blumstein, equity analyst at First Boston Inc. "Retail was obviously very very slow. Trading probably had the worst quarter yet."

Half of the six securities firms reported declining profits in the third quarter vs. the same period a year ago. Net income declined 85% at Shearson Lehman Hutton Inc., 66% at Merrill Lynch & Co. Inc. and 28% at Morgan Stanley Group Inc.; while earnings at Salomon Inc., PaineWebber Group Inc. and First Boston rose 141%, 41% and 2%, respectively. All the firms are based in New York.

"For most firms, a meaningful upturn in earnings vs. that reported over the past few quarters will be contingent on significantly more individual investor activity, which, at least over the near term, will probably require more strength in the equity and fixed-income markets than is generally anticipated, even by the bulls," according to a report by Larry Eckenfelder and Theresa A. Matacia, analysts at Prudential-Bache Securities Inc., New York.

Not surprisingly, almost all of the firms said in statements they are emphasizing cost control.

The trading slump clearly hurt "trading firms" like Salomon and Shearson Lehman Hutton. Shearson was "very marginally profitable" because of a lack of big merger and acquisition deals and a retail slump, said Mr. Blumstein.

Nevertheless, Salomon's bottom line rose 140% to $65 million from a very depressed base of $27 million the previous year.

Shearson Lehman Hutton's earnings fell to $8.2 million from $54 million in 1987's third quarter. The current quarter's results include a $25 million pre-tax charge for non-recurring expenses related to the acquisition of E.F. Hutton earlier this year. The charge and other factors more than offset strong results in investment banking and advisory services, market making and principal transactions.

Shearson's commission revenue for the quarter was up 24% from last year, to $351 million, primarily reflecting business added through the Hutton acquisition, while investment banking revenue rose 29% to $330 million. Revenue from market making and principal transactions rose to $273 million this year from $143 million in the third quarter of 1987.

Salomon's expenses were significantly below 1987's level. Commodities operations had divergent results in the quarter while commercial finance operations contributed $45 million to earnings.

A flat yield curve cut into profits Salomon typically makes on overnight financing of its securities inventory positions. Ordinarily the firm might earn a spread of 200 basis points by earning 6.5% on the financings and 8.5% on longer holdings, said Michael Goldstein, an analyst at Sanford C. Bernstein & Co. Inc., New York.

First Boston reported third-quarter net income of $41.7 million compared with $40.8 million in last year's third quarter.

A substantial portion of First Boston's earnings came from a one-time gain related to the sale of the firm's interest in Bumble Bee Sea Foods Inc.

First Boston also benefited from the merger boom, according to Mr. Goldstein.

Third-quarter brokerage firm earnings

	Rvn. income ($ thousands)		% change	Earnings per share	
	1988	1987		1988	1987
First Boston	41,700	40,800	2	1.12	1.15
Merrill Lynch	65,600	195,100	−66	0.58	1.72
Morgan Stanley	52,400	72,900	−28	1.96	2.82
PaineWebber	20,928	14,814	41	0.50	0.44
Salomon Brothers	65,000	27,000	141	0.37	0.18
Shearson Lehman Hutton	8,200	54,000	−85	0.02	0.54

Source: From the companies

During the quarter, First Boston, Financiere Credit Suisse-First Boston and CS Holding, an associate of Credit Suisse, signed a definitive merger agreement creating a worldwide investment banking firm, CS First Boston Inc.

A strong quarter in mergers and acquisitions combined with weak equity trading netted a rather weak quarter for Morgan Stanley, according to Mr. Goldstein. The firm earned $52.4 million, a 28% drop from $72.9 million the previous year.

Market conditions resulted in reduced principal transactions, commissions revenue and underwriting activities. Investment banking revenue from mergers and acquisitions and corporate restructurings were strong, however, as were foreign exchange, commodities and asset management businesses, according to a Morgan Stanley statement.

Merrill Lynch, which earned $65.6 million — 66% below the prior year's $195.1 million, did somewhat better than its peers on a relative basis because of increased mergers and acquisitions activity and a big debt trading order flow from its retail branch system, Mr. Goldstein said.

Merrill is relying more on asset-gathering and fee-based services and cost control to get through the difficult market environment, according to a company statement. Investment banking revenue totaled $379 million for the quarter, representing a quarterly record and a 34% increase from the 1987 quarter.

PaineWebber's $20.9 million earnings incorporated a $46 million gain on the sale of the firm's interest in National Car Rental System Inc. The firm earned $14.8 million during last year's third quarter.

Lack of institutional and retail investor activity hurt earnings. Third-quarter expenses included about $20 million in non-recurring costs largely from the movement of the operations division to Lincoln Harbor, N.J.

Overall, the capital markets business was better than the retail side although institutional domestic and non-U.S. equity activity slowed from the second quarter. Mergers and acquisition activity was not quite as strong in the third quarter as in the first half of the year, although deal flow has picked up since Labor Day, according to the Prudential-Bache report.

In the fourth quarter, Prudential-Bache expects at least modest earnings improvements. Investment banking revenue should rise for most firms with a mergers and acquisitions presence and the overall level of trading activity in both fixed income and equities should show at least some improvement, according to the report. ■

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Secured credit use on the wane

GREENWICH, Conn. — A new study has found corporate America's use of unsecured credit is increasing, while the use of secured credit is declining.

Greenwich Associates, a consulting firm, surveyed more than 15,000 companies with annual sales of $5 million to $50 million and found more than 60% of the companies use one or more of nine unsecured credit services, an increase of 13% since 1985. Unsecured credit may be in the form of confirmed lines of credit for short-term borrowing, revolving loans convertible to term loans, letters of credit to guarantee third-party loans and other credit options.

The proportion of companies using secured credit services has fallen to 68% in 1988 from 76% in 1986. Many are unaware of the possibility of secured borrowing from non-bank financial institutions.

While there are pros and cons to the use of unsecured credit, the study showed some companies still overlook some of the benefits. The company does not have to go through the paper work needed to document its security, and it usually pays less when it borrows on an unsecured basis because it is perceived as having stronger credit.

While companies feel good about their credit quality if they can borrow on an unsecured basis, there is a flip side to this type of borrowing. According to the study, banks should be spending more time with companies to find out more about the borrower. As a result, some of what the company saves on paper work might be lost.

On the secured side, companies are relying less on secured credit services such as equipment loans, loans secured by personal guarantees of owners or officers, plant and property mortgages, and leasing. However, the study suggested companies should at least look into the possibility of borrowing from non-bank institutions.

Slightly more than 18% of the companies use one or more of 10 major non-bank financial institutions. Another 19% that are not using a non-bank financial institution are solicited by one for business.

The survey found the larger the company, the higher the level of borrowing from non-bank sources. The largest companies, those with sales of $20 million to $50 million, have the highest average level of borrowings from non-banks, $768,000. That is six times the average borrowings of smaller companies with sales of $5 million to $9 million, which amounts to $128,000.

A dealer financing program, for instance, can offer significant savings, according to the study. And if a company has equipment to purchase, this type of financing might make the most sense.

The survey also found slightly more than 10% of all companies with sales of $5 million to $50 million use an investment bank, and 5% plan to start using one in the next 24 months. ■

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InvestmentAge

Foreign indexing up 48.4% in year

By Carol Wiley

International investments are continuing to be the leaders among index fund managers — with a 24% increase in assets since May 31, while domestic stock and fixed-income funds reported sluggish growth yet again, a *Pensions & Investment Age* survey shows.

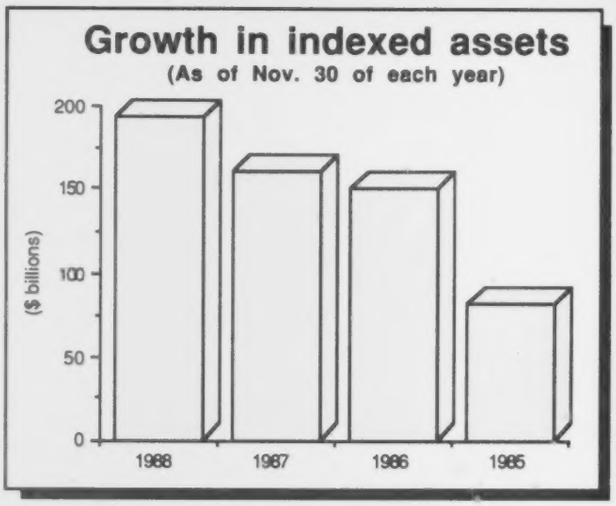
Adjusted for market growth, international index funds grew 10.2% for the six months ended Nov. 30, to a total of $11.3 billion. That total represents a 94.8% overall gain and a 48.4% gain adjusted for the market from a year earlier. (Of the $11.3 billion in international index funds, $153 million is in international fixed-income.)

Domestic stock index funds, on the other hand, increased 11.3% during the six-month period ended Nov. 30, and 25.2% during the 12 months. Domestic stock index funds grew to $134.6 billion from $120.9 billion six months prior, and from $107.5 billion a year earlier.

Adjusted for market appreciation, domestic stock index funds grew 4.5% for the six months and 9.4% during the year. The Standard & Poor's 500 Stock Index returned 6.5% for the six months and 14.5% for the year ended Nov. 30.

Fixed-income index funds were up slightly — 0.3% — from the May 31 total and up 9.5% overall for the year. Fixed-income indexed assets were $47.96 billion as of Nov. 30, compared with $47.8 billion May 31 and $43.8 billion a year earlier.

Adjusted for market growth, fixed-income index funds declined 3.5% for the six months and grew 2.1% for the year. The Shearson Lehman Hutton Government/Corporate Bond Index returned 3.95% for the six months and 7.2% for the year ended Nov. 30.



Total indexed assets under management by 50 managers totaled $193.8 billion, up an unadjusted 8.9% from the $178 billion reported May 31 and 20.1% since the $161.4 billion a year earlier.

Wells Fargo Investment Advisors, San Francisco, reported the largest gain in the six months. Long the leading

Continued on page 31

Voting redress sought

By Marcia Parker

NEW YORK — Advisers to some institutional investors are talking with Shearson Lehman Hutton Inc. about the possibility of compensation for the loss of voting rights associated with the investment banking firm's new unbundled stock units through a voting trust.

Robert Monks, president of Institutional Shareholder Services Inc., Washington, said he has had preliminary talks with Ron Gallatin, a Shearson Lehman Hutton managing director and a key architect of the unbundled stock units.

Mr. Monks expressed concern the lack of voting rights with the new securities is one way for corporate America to get rid of activist institutional investors, although he acknowledged Shearson Lehman Hutton did not design the securities with that in mind.

Continued on page 31

Oil, gas investing heats up

Torch nets $179 millior.

By Fred Williams

HOUSTON — The $20 billion General Electric Co. pension fund and several other institutional investors, primarily insurance companies, have made commitments to a $179 million oil and gas production acquisition program managed by Torch Energy Advisors Inc.

In what could be an early indication of increased interest by institutional investors in oil and gas, the program's latest closing drew $69 million. The closing last month follows a December 1987 closing that attracted $88 million and one in 1986 for $22 million.

The program by Torch, a subsidiary of Torchmark Corp., Birmingham, Ala., is structured as a limited partnership for tax-exempt investors, with Torch as the general partner. The blind pool will acquire proven producing oil and gas properties with at least 50% of the properties located on-shore, according to Thomas Harper III, senior vice president-institutional funding.

The minimum return is projected at a 15% compound annual rate, he said, within normal limits.

GE committed approximately $22 million to the 1987 deal and approximately $17 million to the 1988 program, according to GE officials.

Christopher "Kit" Smith, senior vice president at GE Investment Corp., said the Torch deal represents a continuation of the fund's investment in oil and gas. GEIC is a GE-owned investment management firm that manages most of the company's pension assets.

The fund has made other oil and gas invest-

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Proven, on-shore oil and gas properties will comprise at least 50% of an acquisition program managed by Torch Energy Advisors. The firm has attracted $179 million from institutional investors.

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LATE NEWS

LBO bonus for RJR employees

ATLANTA — The new year will bring some extra cash to those RJR Nabisco Inc. employees who participate in the company's 401(k) savings plan.

The leveraged buy-out of the company by Kohlberg Kravis Roberts & Co., expected to be completed in 1989, means the 401(k) participants will share in more than a $320 million cash profit.

As of Sept. 30, the savings plan was worth $896 million, of which 75.6% was company stock, according to company figures. On Sept. 30, the company stock was $55 a share, and the KKR bid included $81 a share in cash plus $28 a share in preferred stocks and convertible debentures.

Robert Shultz, vice president of pension asset management for RJR Nabisco, said the total appreciation of the company stock in the 401(k) portfolio could not be determined now because of unresolved issues about the value of the non-cash segment of the buy-out offer.

Divestiture debate grips 2 states

Oregon's state treasurer has blasted divestiture of South Africa-related securities as costly, while Michigan's treasurer is receiving pressure to divest.

Oregon Treasurer Anthony Meeker told the Oregon Investment Council Dec. 20 that divestiture has cost the $9 billion Oregon Public Employes Retirement System anywhere from 50 to 200 basis points of return on its $4.5 billion stock portfolio. It also has produced $3.7 million in administrative and transaction costs.

The law went into effect this year; the pension fund has to sell stocks in all companies operating in South Africa by Feb. 15, 1992. The fund has sold $190.1 million worth of such stocks. The remaining holdings are valued at $383.2 million.

The council will seek legislation that would require the state's general fund to reimburse the pension fund for administrative, transaction and verifiable lost opportunity costs.

In Michigan, ARC America Corp., Newport Beach, Calif., has called on Treasurer Robert Bowman to divest holdings in Chemical New York Corp., New York, and Minorco, Luxembourg.

Minorco, controlled by South African investors, is seeking to buy ARC America's parent, Consolidated Gold Fields, of the United Kingdom. Chemical Bank is helping finance the offer.

According to Spectrum, published by CDA Investment Technologies Inc., Rockville, Md., the Michigan treasurer's office — which is custodian of the $15.8 billion Michigan State Employees' Retirement Systems — held 9.1 million shares of Minorco, valued at about $100 million, and 962,000 shares of Chemical New York Corp., valued at $30 million, as of Sept. 30.

ARC America officials contend the stocks constitute South Africa-related investments and should be divested under a Michigan law that goes into effect Jan. 1.

Robert Kolt, a spokesman for Mr. Bowman, said the stocks do not fit the state law's definition and therefore are not prohibited investments. "It's unfortunate that our divestiture law has become part of a corporate takeover battle," he added.

California fund details proposal

SACRAMENTO, Calif. — The $46 billion California Public Employees' Retirement System officially has submitted to Texaco Inc. the fund's proposal calling for a bylaw change creating a permanent shareholders committee.

The California fund spelled out in a Dec. 14 letter to Texaco President James Kinnear what the committee would look like. The nine members would serve no more than three consecutive terms. The members would include five eligible stockholders who beneficially own the greatest number of shares of the company's stock and four persons elected by a majority vote of the ranking shareholders.

Plans altering manager rosters

• FORT WORTH, Texas — American Airlines Inc. hired H.D. International, London, to manage a $30 million balanced international portfolio, according to William F. Quinn, president of AMR Investment Services.

In addition, American has made its first investment in real estate by placing $10 million in the Zell-Merrill Lynch Realty Fund, a limited partnership seeking investments in distressed real estate properties.

He said funding will come from existing managers. The portfolios are part of the $1.7 billion American Airlines Fixed Benefit Fund.

• CALABASAS, Calif. — Lockheed Corp., with $7.1 billion in employee benefit assets, has added Hotchkis and Wiley, Los Angeles, as a money manager and dropped Forstmann-Leff Associates Inc., New York, following a reallocation of assets, according to George C. Weintz, investment counsel for the Lockheed plan. The change was not a "one-for-one" relationship, said Mr. Weintz. No other details were available.

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Firms targeting wealthy clients

By Barry B. Burr

Investment advisers, banks and consultants are adapting a pension fund approach to asset management to grab a share of the dynamic market of money management for wealthy individuals, estimated to be more than $500 billion.

The expansion most typically involves adding more complex investment strategies and consulting services, such as manager searches and performance monitoring.

"It's a very large market," said Alfred P. West Jr., chairman, president and chief executive of SEI Corp., Wayne, Pa. SEI is one of the largest consultants to pension sponsors and a new entrant to the individual market.

"Technology has created a lot of wealth faster," said Brian E. Schaefer, vice president of Ballard Biehl & Kaiser, a San Mateo, Calif.-based investment manager and consultant serving wealthy individuals and pension sponsors.

Anthony D. Pell says the market for wealthy individuals is "fractured and diverse."

Much of the new wealth comes from the sale of privately held companies.

Last year, 855 privately held companies were sold for a total of $11.9 billion, according to information from W.T. Grimm & Co., a Chicago-based financial and valuation consultant and business broker, owned by Merrill Lynch & Co., New York.

By contrast, in 1986, 1,598 such companies were sold for $22 billion.

The market is smaller than the pension-fund market, but still is huge.

The Forbes Four Hundred have net worths totaling $220.4 billion, according to the magazine's report last October. By contrast, the 1,000 largest pension funds in the country have assets totaling $1.58 trillion.

Unlike pension fund investments, the Forbes 400 wealth is to a large extent illiquid, tied up in companies they own.

But Jan P. Greer, director of Russell Private Investments, a consulting division of the pension fund advisory company Frank

Continued on page 29

GDP index fund gets 25% of GTE foreign portfolio

By Joel Chernoff

STAMFORD, Conn. — The $9 billion GTE Corp. pension fund will invest roughly $250 million to $300 million in an international index fund weighted by gross domestic product.

Last week, Goldman, Sachs & Co., New York, purchased $140 million of about 400 foreign securities from 16 countries in a program trade for a GDP-weighted index fund to be managed for GTE by Bankers Trust Co. — Investment Management Group, also of New York. The balance of the portfolio already was held by GTE.

The trend toward GDP-weighted funds reflects a desire by pension officials to reduce their exposure to Japan while lowering risk and correlation with U.S. stock indexes and providing equivalent returns.

GTE is in the process of establishing the fund, to be based on a customized version of the FT-Actuaries Europe-Pacific Index. To reduce exposure to volatility in foreign exchange rates, the fund will have a 50% currency hedge.

Nikko Capital Management (U.S.A.), New York, will run the Japanese portion — roughly $100 million — in a tilted index fund, while Bankers Trust will manage the remainder. Goldman, Sachs, which markets the FT-Actuaries World indexes in the United States, will calculate the GDP-weighted benchmark.

GTE intends to invest between 25% and 30% of its more than $1 billion in international assets in the passive portfolios, GTE officials said. They declined to give specific figures.

Bankers Trust previously ran a traditional international index fund based on market capitalization that held less than 10% of GTE's international assets. Those assets were converted to a GDP-weighted basis as part of the overall strategy.

Additional assets are being taken from international managers terminated earlier this year as part of GTE's restructuring of its international investments.

Other funds, including the State of Connecticut Trust Funds, Hartford, and the Yale University endowment fund, New Haven, Conn., have been turning to GDP-weighted international index funds (*Pensions & Investment Age*, Nov. 28).

In part, the moves have been motivated by a desire to reduce the growing proportion Japan has taken in market-cap-weighted indexes, aided by the tremendous appreciation of the yen. As of Sept. 30, Japan accounted for 63.7% of the FT-Actuaries index. In contrast, as of the same date on a GDP-weighted basis, Japan made up only 35.3% of the index.

Other factors, however, also play a role. John Carroll, president of GTE Investment Management Corp., said the adoption of the GDP-weighted benchmark is not so much to reduce Japan as to better reflect the size of individual economies. West Germany "is too important a country" to be restricted to the 4% exposure of a market-weighted index vs. 16% on a GDP-weighted basis, he said.

In addition, if the Japanese stock market were to drop 40%, a market-cap weighted index fund would be forced to sell into a falling market or after a market collapse, he argued. In contrast, a GDP-weighted index might shift, say, two percentage points within a given year.

A GDP-weighted index has both lower risk and lower correlation with the Standard & Poor's 500 Stock Index — thus providing greater diversification — than a standard market-cap-weighted benchmark, Mr. Carroll said. ■

Samuel T. DeKinder is taking a job with INVESCO in Atlanta.

DeKinder leaving DeMarche

By Trudy Ring

KANSAS CITY, Mo. — Samuel T. DeKinder, cofounder and executive vice president of DeMarche Associates Inc., will resign March 31 to join INVESCO Capital Management Inc., Atlanta.

DeMarche clients said they are sorry to see him leave, but expect to receive the same level of service from the consulting firm.

Mr. DeKinder and Robert F. Marchesi, president of DeMarche, founded the firm 14 years ago. DeMarche now has more than 140 clients with combined assets of more than $100 billion, nearly all tax exempt.

"We claim to be the largest independent consulting firm in the United States," Mr. DeKinder said.

The move to INVESCO is an excellent career op-

Continued on page 29

REVIEW & OUTLOOK

Rosy forecast for '89

In this issue, *Pensions & Investment Age* takes a look back at 1988 through charts published in previous issues and a look at what lies ahead in 1989 for the stock and bond markets, cash management and corporate finance industries, international investments and portfolio strategies. The charts and stories appear through page 20.

Chance of recession slight

Although the economy has enjoyed its second longest peacetime expansion, economists surveyed by *Pensions & Investment Age* see only a modest chance of a recession starting in 1989.

On average, the panel of economists gave a lower probability to a recession in 1989 than they gave to a 1988 recession — 22% vs. 32%.

Only one economist surveyed, Robert Dederick, executive vice president and chief economist at The Northern Trust Co., Chicago, saw even a 50% chance of a recession. Geoffrey Dennis, chief international economist for James Capel & Co., saw no chance of a recession in 1989. David Levine, chief economist at Sanford C. Bernstein & Co., saw only a 5% chance.

The economists also are more sanguine about the growth of the economy than they were a year ago. In the first half of 1989 they expect gross national product to grow at an average of 3.4%, and in the second half, they expect growth to slow to a 2% annual rate.

A year ago, they expected a relatively weak 2.1% growth rate in the first half of 1988, followed by a slightly more robust 2.3% in the second.

The most bearish first-half GNP growth figure for 1989 is 2%, shared by Irwin Kellner, chief economist at Manufacturers Hanover Trust, New York, and David Bostian, president of Bostian Research Associates, New York. The most bullish are 6.4% by Mr. Levine and 4.3% by Lacy Hunt, chief economist at Carroll, McEntee & McGinley, New York, Mr. Dederick and Mr. Dennis.

Among the economists surveyed last year, Mr. Hunt's forecasts were the most accurate.

While he expects a moderate first-half growth rate, Mr. Dederick expects the GNP growth rate to drop to just 1% in the second half. The most optimistic second-half forecast, 2.9%, comes from Deborah Allen, president of Claremont Economics Institute, Claremont, Calif.

The economists, on average, do not see a sharp spike in the inflation rate in either half of 1989. The average inflation rate expectation is 4.8% in the first half and 4.9% in the second half. The highest Consumer Price Index projections for both halves came from Messrs. Dennis and Hunt, who each predicted 5.8% in the first half and 6.4% for the second. Likewise, the economists generally do not anticipate a dramatic spike in either short-term or long-term rates, with the highest expected 90-day T-bill rate for July 1 being 9.1% (Mr. Levine) and the highest for Dec. 31 being 9.875% (Mr. Hunt).

The highest expected 30-year Treasury rate projected for July 1 was 11.25% by Mr. Levine, and for Dec. 31 it was 11.4%, also by Mr. Levine. None of the other economists, however, saw the 30-year rate climbing above 10.1% in either half of the year.

None of the economists saw a significant worsening of the federal budget deficit in fiscal 1989 compared with fiscal 1988, and none saw a dramatic improvement. Gradual improvement was the consensus.

On the trade deficit front, most economists saw a continued gradual improvement in the balance of payments compared with the approximately $133 billion deficit this year.

David Littman, vice president and senior economist at Manufacturers National Bank — Detroit, however, expected a dramatic improvement to $57 billion, and Mr. Bostian predicted an improvement to $80 billion.

Mr. Hunt, one of the most optimistic of the economists surveyed, said: "I continue to feel the key is the manufacturing sector and not the consumer."

Among the corporate factors boosting the economy are: corporate profits are up; the backlog of unfilled orders is at a record level; the inventory/sales ratio is at an all-time low; the capacity utilization rate is high; and the dollar has dropped 8% since Sept. 1, which suggests increased exports, Mr. Hunt said.

He believes the economy is still in the acceleration stage.

He also believes, however, interest rates won't peak until 1990 and will be volatile and irregular in the meantime. He believes the Federal Reserve Board will pursue a policy of gradualism. "I don't see a Volcker-type policy where the Fed gets out in front" of the economy, he said. The Fed is wracked with internal dissension, preventing that kind of action, he said.

Robert A. Brusca, senior vice president and chief economist at Nikko Securities Co. International, New York, said the main dangers are the budget deficit and the inflation threat.

With the federal budget deficit,

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What the experts predict for 1989

Name	GNP 1st half	GNP 2nd half	Inflation 1st half	Inflation 2nd half	90 day T-bills July 1	90 day T-bills Dec. 31	30-year Treasuries July 1	30-year Treasuries Dec. 31	Federal deficit fiscal '89 ($ billions)	Trade deficit '89 ($ billions)	Chance of recession in '89
Deborah Allen Claremont Economics Institute	2.3%	2.9%	3.3%	3 %	6 %	5.7 %	8.5 %	8.2 %	135	120	10%
David Bostian Bostian Research Associates	2	2.5	4	3.5	7	6	8	7	120	80	25
Robert A. Brusca Nikko Securities International	3.1	1.3	4.7	5.6	8.5	8	10	9.5	146	112	40
Robert Chandross Lloyds Bank in North America	3.6	2	5	5.3	8.6	8.2	9.75	9.3	150	128	20
Robert Dederick Northern Trust Co.	4.3	1	5.1	5.7	9	9	10	9.25	152	122	50
Geoffrey Dennis James Capel & Co.	4.3	2.6	5.8	6.4	8.65	9.2	9.8	10.1	162	122	0
Lacy Hunt Carroll, McEntee & McGinley	4.3	2.6	5.8	6.4	9	9.88	9.38	9.75	164	130	10
Irwin Kellner Manufacturers Hanover Trust Co.	2	2.7	3.9	4.5	7.5	7.4	8.8	9.3	145	115	30
Lawrence Kudlow Bear Stearns & Co.	3.6	1.9	4.4	3.7	7.8	7	8.4	7.7	149	100	20
David Levine Sanford C. Bernstein	6.4	2.4	5.5	6	9.1	9.35	11.25	11.4	130	110	5
Mickey Levy Fidelity Bank	3.9	1.7	4.2	4	7.9	7.2	9	8.5	148	115	30
David Littman Manufacturers National Bank/Detroit	3	1.5	5.2	5.6	8.6	7.2	9.2	8.2	135	57	15
Richard S. Peterson Continental Illinois National Bank & Trust	3.2	2.4	5	4.5	7.65	7.3	9.35	9.15	140	130	10
Richard Rippe Dean Witter Reynolds	3.3	0.6	5.3	4.8	NA	NA	9.8	10.1	154	117	30-35
Georges Rocourt Ganz Capital Management	2.4	0.7	4.8	4.1	8.2	6.8	9.3	8.4	163	129	40
Francis H. Schott Equitable Life Assurance Society	3	1.5	5.3	5.3	8.75	7	9.5	9	140	125	25

Managers expect little from stocks

By Curtis Vosti

Although optimism on the 1989 stock market isn't raging, many money managers see promise in certain segments.

"Two things that affect stock prices are interest rates and profit growth," said John L. Schroeder, chief investment officer for Axe-Houghton Management Inc., Tarrytown, N.Y. "If interest rates come down, it will be because of a recession, but then the profits come down too, and that won't help stocks," he said.

Mr. Schroeder said the trade and budget deficits, combined with inflationary pressures, will continue to press interest rates.

"When there's pressure on the dollar, the (Federal Reserve Board) can't ease up and interest rates remain high," he said.

Axe-Houghton's recommended portfolio mix for 1989 is 60% bonds, 10% cash and 30% stocks, he said. Normally, it would be 70% stocks and 30% bonds.

Most investment management firms contacted by *Pensions & Investment Age* said the outlook is better for bonds than stocks.

"The high-yield (stock) sector doesn't show attractiveness," said Thomas Loeb, president of Mellon Capital Management, San Francisco.

"We would also recommend a lot of fixed income, almost 50%," he said.

J. Parker Hall, president and chief investment officer for Lincoln Capital Management, Chicago, said the unspectacular but steady market in 1988 — one of the two least volatile markets in the past 20 years — leaves his firm without a strong feel for the 1989 market.

"The forecast is kind of dull," he said. "We are neutral on stocks and bonds — neither bullish nor bearish."

William D. Laemmel, an economist/strategist for WR Lazard & Laidlaw Inc., New York, puts it bluntly: "When the market looks bad, move some stuff long."

"We're reasonably cautious because of the interest rate environment," said John Messner, chief investment officer for Meridian Capital Management Ltd., San Diego.

He said the gloomy outlook can be attributed to an inverted yield curve: short-term interest rates are higher than long-term rates. "Historically it's a sign of a recession and a negative market, a lead indicator," he said.

"With interest rates high and with a slowing economy — we expect 2% growth in the first half and 1% the second — in that environment, with 9% to 11% on the short term, the risk of the market seems relatively high," said Mr. Messner.

Market timers Harris Bretall Sullivan & Smith Inc., San Francisco, is investing only 25% of assets in the stock market because of concerns the Fed will raise interest rates out of fear of inflation, according to Lauryn A. Bierdeman, director of marketing.

The firm expects a recession in late 1989 or early 1990, she said, and will become invested up to 50% as the market drops 100 to 200 points.

"We're cautious right now on the market," she said. "When you can get 9¼% for high-grade commercial paper, there is no impetus to put your money into equities."

On the other hand, Albert Zesiger, president of BEA Associates Inc., New York, and Lazard & Laidlaw's Mr. Laemmel think interest rates have peaked.

"Long-term interest rates are not apt to go higher," Mr. Zesiger said.

Despite the less-than-rosy picture overall, managers can point to opportunities in specific market segments.

"We would recommend a more large-capitalization complexion," Mellon's Mr. Loeb said. Since Mellon uses indexing, he said that would mean a reliance on the Standard & Poor's 500 Stock Index.

"However, if one were to move in for at least three years, for a long period, we would not be averse to recommending one-third of the portfolio to small-cap stocks," he said.

Small-capitalization stocks historically have enjoyed an annual run known as the January effect, said Mr. Zesiger. Some of those stocks, especially small-growth companies, are "outstandingly attractive," he said.

Growth stocks usually sell at three times book value, but now are about book value, he said. The growth of the price-to-sales ratio is about 2.5 times below normal, he said.

"This sector of the market looks very interesting," he said.

Mellon's Mr. Loeb thinks highly of the financial sector; the bank industry looks undervalued, he said.

"Although (real estate investment trusts) look undervalued, we don't think the forecasts are particularly good," he said.

Meridian's Mr. Messner said sectors that could shine in 1989 would involve environmental, waste or water treatment companies.

"Water is going to be a rationed commodity domestically as well as internationally," he said. Another segment that could be strong is take-out food packaging, he added.

Better quality financial and retail stocks may be good 1989 bets, according to Mr. Laemmel. Well-managed, low-cost electric power producers, telephone and insurance companies are also available with yields of 5% to 9% to afford some downside protection, he said. ■

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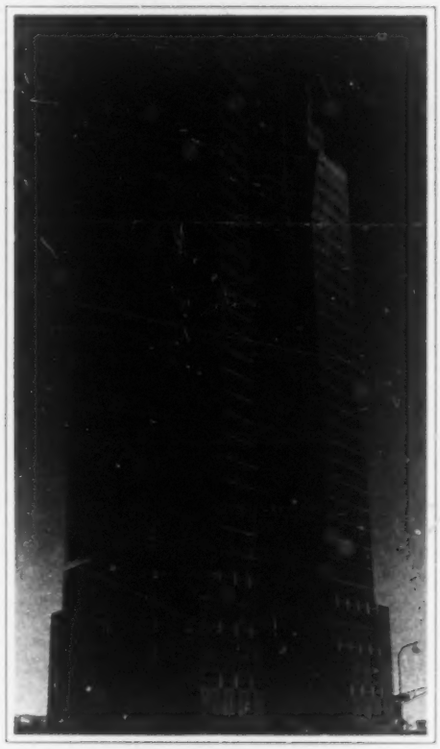

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CORRECTIONS & CLARIFICATIONS

- The pension fund of **GTE Corp.** is using an international benchmark based on the FT-Actuaries World Indexes Euro-Pacific index. The index was misidentified in the Nov. 14 issue.
- Officials at **Moody's Investors Service**, New York, and **Northwestern National Life Insurance Co.**, Minneapolis, say incorrect figures were provided to *Pensions & Investment Age* for a Nov. 28 chart showing junk bonds as a percentage of insurer bond portfolios. According to the companies, Northwestern's figure for 1987 should be 18.43% and for 1986, 21.69%.

OPINION

Dealing with deficits

What a difference a year makes. At this time last year the institutional investment world was still in shock from the Oct. 19 market plunge. Many investors and economists were convinced the onset of a recession was imminent, and the market would fall further.

However, 1988 did not parallel 1930 as many had expected. Instead, the stock market seems likely to end the year with a nice gain of about 14%. And despite the damage done to corporate issues by the RJR Nabisco Inc. leveraged buy-out and other buy-outs, the bond market also seems likely to end the year with a modest gain.

This does not mean we are out of the economic woods. The economy faces significant but manageable problems, but none is immediately threatening. The greatest danger is the federal government will inadvertently trigger a recession while attempting to solve the two problems most economists seem to focus on — the budget and trade deficits.

The conventional wisdom is that a significant tax increase is needed to solve both problems. But a minority view holds that a significant tax increase would worsen both deficits by triggering an economic recession. Given that the obvious solution, the conventional wisdom, is more often wrong than right, the chances are the minority view is right.

A recession would worsen the budget deficit, probably worsen the savings and loan crisis and possibly the Third World debt crisis.

A less threatening solution to the economic problems would be a plan to significantly increase the nation's saving rate. From savings would come lower interest rates, greater investment, faster economic growth and greater revenue for the federal government.

Unfortunately, most of the recent tax moves made by the Congress have reduced the incentive to save. Congressional actions in the past two years designed to increase revenue have discouraged personal savings by restricting the use of individual retirement accounts and 401(k) plans, and have limited saving through corporate pension plans by enacting new full-funding limits.

Actions to reverse these disincentives would do more to overcome the major problems in the economy than would significant tax increases.

FROM THE EDITOR

The approach of the holiday season is always greeted with mixed emotions by the staff at *Pensions & Investment Age*. On the one hand, we are as excited as everyone else by the coming of the gift-giving season and the approach of the New Year — a seven-day period of joy and celebration.

On the other hand, it is without a doubt the busiest season of the year. Not only do we publish two issues at a time when four vacation days intervene, and at least a few members of the staff take off the week between the holidays to join their families, but we are also in the throes of preparing the profiles of the nation's 200 largest pension funds that run in our Jan. 23 issue.

As a result we sometimes are too swamped to individually greet and thank those who have helped us during the year, or who have sent us Christmas greetings. For this I apologize.

The reporters, editors and I thank all of you who answered your phones during the year and tolerated and responded to our questions.

We appreciate your taking time out of your busy schedules to give us the benefit of your knowledge and experience so that we might share it with your peers.

We also thank those of you who filled out our questionnaires, whether for the largest pension funds issue, or the investment adviser profiles issue.

We see our mission as the sharing of information, particularly of significant trends, that will help all involved in the capital markets, and especially institutional investors such as pension funds and their managers, do their jobs better.

So on behalf of Andy, Barry, Carol, Christine, Chuck, Curt, Fred, Joel, Kristina, Libby, Marcia, Marlene, Nancy, Pete, Sabine, Steve, Tony and Trudy, I wish you a joyous Christmas and a happy and prosperous New Year.

— *Mike Clowes*

LETTERS TO THE EDITOR

Article misleading

To the Editor: Your "Washington" column of Sept. 19 correctly noted the ESOP Association, while generally supporting the thrust of the Department of Labor's proposed regulations on adequate consideration, has requested clarification on several key points, such as an ESOP's ability to pay a premium and the question of who is "independent" for purposes of ESOP appraisals.

As mentioned in the article, the association "noted that the regulation doesn't define independent appraisal."

However, your article incorrectly stated the ESOP Association believes an accounting firm with an ongoing relationship with the company is not independent.

Although the association has requested guidance from the Department of Labor on this particular issue, we made no recommendation on how they should rule.

David Binns
Executive director
The Employee Stock Ownership Association
Washington

No alternative

To the Editor: Your Sept. 19 editorial on federal employee pensions — "Goose vs. the gander" — raises some good issues.

The unfunded liability for federal civilian employee pensions is $544 billion, not $2 trillion. More important, the pension fund has no economic reality, because it's invested in U.S. government bonds. Thus, Uncle Sam could pay off the liability any time simply by issuing more IOUs and depositing them into the fund.

One may criticize this essentially unfunded arrangement, but what is the alternative? Would we really want the national political process to determine where to invest billions in stocks, bonds, etc.? And don't forget what would happen to the deficit if the government's contributions went off budget.

The federal employee thrift plan was exempted from non-discrimination rules because they are a burden and serve no useful purpose. But the Ways and Means Committee opposed this exemption, and wouldn't now agree it sets a precedent for the private sector.

Perhaps that's because the public views the many layers of non-discrimination tests about like the Pledge of Allegiance — a good thing that's hard to overdo. We have a long way to go in educating the public and Congress about how to improve and strengthen our employee benefit system.

Richard G. Schreitmueller
Research actuary
A. Foster Higgins & Co.
Princeton, N.J.

15 years of insights

To the Editor: I read with great interest your Oct. 31 issue, "The Capital Markets 15 Years Ahead."

It is first-rate information that we at Russell-Zisler Inc. will retain.

It offers excellent food for thought on the movers and shakers of the capital markets.

Randall C. Zisler
President
Russell-Zisler Inc.
Princeton, N.J.

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